

**NEXUS BANKRUPTCY**  
BENJAMIN HESTON (297798)  
100 Bayview Circle #100  
Newport Beach, CA 92660  
Tel: 951.290.2827  
*ben@nexusbk.com*

Attorney for Plaintiff

**LAW OFFICE OF DONALD REID**  
DONALD W. REID (281743)  
PO Box 2227  
Fallbrook, CA 92088  
Tel: 951-777-2460  
*don@donreidlaw.com*

Attorney for Defendant

**UNITED STATES BANKRUPTCY COURT**  
**CENTRAL DISTRICT OF CALIFORNIA**  
**RIVERSIDE DIVISION**

In re:

MICHAEL PAUL NEWMAN,  
Debtor.

CHLOE TAEKYEONG LEE,  
Plaintiff,

v.

MICHAEL PAUL NEWMAN,  
Defendant.

Case No.: 6:21-bk-11329-SC

Chapter 7

Adv. No.: 6:21-ap-01071-SC

**JOINT PRE-TRIAL STIPULATION**

Pre-Trial Conference  
Date: April 25, 2023  
Time: 10:00 a.m.  
Courtroom 126

1 Plaintiff, Chloe Taekyeong Lee, and Defendant, Michael Paul Newman, hereby  
2 submit the following pre-trial stipulation as follows:  
3

4 **STIPULATION**

5 A. The following facts are admitted and require no proof:

6 1. Sang Hoon Lee (“LEE”) formerly worked for Arms Logistics (“ARMS”) as a  
7 truck driver. In December 2014, LEE was seriously injured in a work-related auto  
8 accident involving another transportation truck. The driver in the other truck was  
9 employed by Belena Transportation. The police report and Belena Transportation’s  
10 insurance carrier both found that the Belena Transportation driver was at fault.  
11

12 2. At the same time, Michael Paul Newman (“NEWMAN”) worked for ARMS  
13 as their in-house counsel. NEWMAN was paid by Caravan Canopy, a company that was  
14 related to ARMS and was owned and operated by the same individuals, Lindy Park and  
15 David Hudrlik.  
16

17 3. After LEE was injured in the accident, there were questions raised as to  
18 whether LEE was properly classified as an independent contractor. NEWMAN advised  
19 ARMS that he believed LEE was misclassified and likely had a claim against ARMS for  
20 Labor Code violations.  
21

22 4. In early 2015, shortly after LEE’s accident, an agreement was reached  
23 between LEE and ARMS which provided that ARMS would pay LEE a weekly salary,  
24 provide him with Korean/English translation services and transportation services.

25 5. When NEWMAN took on LEE’s representation, a fiduciary attorney-client  
26 relationship was created.

27 6. At the time NEWMAN took on LEE’s case, he had been admitted to the  
28

1 State Bar for approximately one year, did not have any litigation experience, and had  
2 never handled a personal injury action.

3 7. LEE's native language was Korean and he spoke very little English. The  
4 translation services, when provided, were by other Korean employees at ARMS.

5 8. Throughout 2015, NEWMAN was unsuccessful in trying to negotiate a  
6 settlement with Belena Transportation's insurance carrier.

7 9. On January 20, 2016, NEWMAN sent an email to David Hudrlik and  
8 Lindy Park, the owners of ARMS, which stated that Belena Transportation's insurance  
9 carrier required that LEE sign a contingent fee retainer agreement in order to be able to  
10 talk with NEWMAN and to process the insurance claim.

11 10. On January 20 or 21, 2016, LEE signed a retainer agreement NEWMAN  
12 had previously sent to ARMS ("First Retainer Agreement").

13 11. Shortly after the First Retainer Agreement was executed, ARMS inserted a  
14 15% fee into another copy of the retainer agreement ("Second Retainer Agreement").  
15 LEE then signed the Second Retainer Agreement.

16 12. In March 2016, Belena Transportation settled the claim for \$1,000,000.

17 13. In late March of 2016, NEWMAN received the \$1,000,000 settlement  
18 check from Belena Transportation. On March 28, 2016, NEWMAN sent a letter to LEE  
19 which stated, among other things, that 15% of the settlement proceeds would be paid to  
20 the Law Office of Michael P. Newman and \$130,000 would be paid to ARMS.

21 14. On or about April 8, 2016, a little over a week after the settlement funds  
22 cleared NEWMAN's trust account, NEWMAN paid himself \$150,000 from the  
23 settlement funds which was deposited into his firm's general operating account.

24 15. On August 28, 2017, LEE sued NEWMAN in the Riverside Superior Court  
25  
26  
27  
28

1 for conversion, fraud, and legal malpractice.

2 16. In March and April of 2019, a 5-day trial was held. The claim for legal  
3 malpractice was disposed of at trial on NEWMAN's motion for non-suit. At the  
4 conclusion of the trial, the court took the matter under submission.

5 17. In July of 2019, the court entered a statement of decision.

6 18. On the fraud claim, the court found that LEE did not meet his burden of  
7 proof and entered judgment in favor of NEWMAN on this cause of action.  
8

9 19. On the conversion claim, the court found that NEWMAN agreed to accept  
10 \$20,000 for his compensation, and by taking \$150,000 from the settlement funds, he  
11 had committed conversion. The court stated that: 1) LEE had the right to possess the  
12 \$130,000; 2) NEWMAN converted the \$130,000 by a wrongful act; and 3) LEE suffered  
13 damages of \$130,000.  
14

15 20. The court held that LEE had exercised his right to void the retainer  
16 agreement and determined that the reasonable value of NEWMAN's services was  
17 \$20,000. The court awarded LEE damages of \$130,000.

18 21. NEWMAN appealed the judgment to the California Court of Appeals on  
19 the grounds that the request to void the retainer agreement and the conversion claim  
20 were barred by the statute of limitations and that the trial court erred by finding him  
21 liable for conversion.  
22

23 22. LEE cross-appealed on the grounds that the court erred by finding that  
24 NEWMAN did not commit and declining to disgorge all of NEWMAN's fees.

25 23. On March 4, 2021, the appellate court entered an opinion. As to Newman's  
26 appeal, the appellate court affirmed the judgment for conversion. They further held that  
27 the request to void the retainer agreement was beyond the statute of limitations, but  
28

1 found that the error was harmless since it did not have any effect on the judgment for  
2 conversion.

3 24. On LEE's appeal, the appellate court found that sufficient evidence was  
4 presented to support the trial court's finding in favor of NEWMAN on the fraud claim.  
5 They further held that LEE forfeited the disgorgement request since it was not raised in  
6 the trial court.

7  
8 25. The appellate court awarded LEE his costs of appeal.

9 26. After the appellate court entered its opinion on March 4, 2021, NEWMAN  
10 filed the instant bankruptcy proceeding on March 15, 2021.

11  
12 B. The following issues of fact, and no others, remain to be litigated:

- 13 1. Whether NEWMAN breached a fiduciary duty when he converted the  
14 settlement funds.  
15  
16 2. Whether NEWMAN's acted with wrongful intent when he breached his  
17 fiduciary duties.  
18  
19 3. Whether NEWMAN acted with malice when he converted the settlement  
20 funds.  
21  
22 4. NEWMAN's capacity at ARMS and representation of other ARMS  
23 employees.  
24  
25 5. Whether NEWMAN advised ARMS regarding employee/contractor  
26 classifications  
27  
28 6. Whether NEWMAN's representation of ARMS and LEE was a conflict of  
interest.  
7. If a conflict of interest existed, were ARMS and NEWMAN properly

1 notified of such and were waivers obtained.

2 8. The terms of the First Retainer Agreement prior to LEE signing it.

3 9. Whether the terms of the First Retainer Agreement were altered after LEE  
4 signed it.

5 10. Who inserted a 15% contingency fee into the Second Retainer Agreement.

6 11. The terms of the agreement that was negotiated between NEWMAN and  
7 ARMS in February of 2016.

8 12. Whether NEWMAN agreed to be compensated \$20,000 for representing  
9 LEE.

10 13. Whether NEWMAN stated he would not have taken a 15% contingency fee  
11 in an email from February of 2016.

12 14. What LEE understood the terms of the ARMS reimbursement agreement  
13 to be.

14 15. At what point LEE became aware that NEWMAN was representing him  
15 separately from NEWMAN's employment with ARMS.

16 16. Whether LEE believed the payment to ARMS was intended to cover  
17 NEWMAN's legal services.

18 17. Whether LEE understood the terms of the Second Retainer Agreement to  
19 be.

20 C. The following issues of law, and no others, remain to be litigated:

21 1. None.

22 D. Attached is a list of exhibits intended to be offered at the trial by each party, other  
23  
24  
25  
26  
27  
28

than exhibits to be used for impeachment only.

1. The Parties shall exchange complete and marked copies of all of their respective exhibits prior to the April 25, 2023, pre-trial conference.

E. The parties have exchanged a list of witnesses to be called at trial.

1. The Parties shall exchange a list of witnesses prior to the April 25, 2023, pre-trial conference.

F. Other matters that might affect the trial such as anticipated motions in limine, motions to withdraw reference due to timely jury trial demand pursuant to LBR 9015-2, or other pretrial motions.

1. None.

G. All discovery is complete.

H. The parties are ready for trial.

I. The estimated length of trial is 1-2 days.

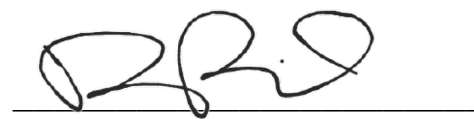
J. The foregoing admissions have been made by the parties, and the parties have specified the foregoing issues of fact and law remaining to be litigated. Therefore, this order supersedes the pleadings and governs the course of trial of this cause, unless modified to prevent manifest injustice.

**NEXUS BANKRUPTCY**



BENJAMIN HESTON,  
Attorney for Plaintiff

**LAW OFFICE OF DONALD REID**



DONALD REID,  
Attorney for Defendant

Date: April 13, 2023

Date: April 13, 2023

## PROOF OF SERVICE OF DOCUMENT

I am over the age of 18 and not a party to this bankruptcy case or adversary proceeding. My business address is:

**100 Bayview Circle, Suite 100  
Newport Beach, CA 92660**

A true and correct copy of the foregoing document entitled (*specify*): **JOINT PRETRIAL STIPULATION** will be served or was served **(a)** on the judge in chambers in the form and manner required by LBR 5005-2(d); and **(b)** in the manner stated below:

**1. TO BE SERVED BY THE COURT VIA NOTICE OF ELECTRONIC FILING (NEF):**

Pursuant to controlling General Orders and LBR, the foregoing document will be served by the court via NEF and hyperlink to the document. On (*date*) 4/13/2023, I checked the CM/ECF docket for this bankruptcy case or adversary proceeding and determined that the following persons are on the Electronic Mail Notice List to receive NEF transmission at the email addresses stated below:

Suzanne C Grandt    [suzanne.grandt@calbar.ca.gov](mailto:suzanne.grandt@calbar.ca.gov), [joan.randolph@calbar.ca.gov](mailto:joan.randolph@calbar.ca.gov)  
Howard B Grobstein (TR)    [hbgrustee@gtllp.com](mailto:hbgrustee@gtllp.com), [C135@ecfbis.com](mailto:C135@ecfbis.com)  
Benjamin Heston    [bhestonecf@gmail.com](mailto:bhestonecf@gmail.com), [benheston@recap.email](mailto:benheston@recap.email), [NexusBankruptcy@jubileebk.net](mailto:NexusBankruptcy@jubileebk.net)  
Donald W Reid    [don@donreidlaw.com](mailto:don@donreidlaw.com), [ecf@donreidlaw.com](mailto:ecf@donreidlaw.com)  
United States Trustee (RS)    [ustpregion16.rs.ecf@usdoj.gov](mailto:ustpregion16.rs.ecf@usdoj.gov)

☐ Service information continued on attached page

**2. SERVED BY UNITED STATES MAIL:**

On (*date*) 4/13/2023 I served the following persons and/or entities at the last known addresses in this bankruptcy case or adversary proceeding by placing a true and correct copy thereof in a sealed envelope in the United States mail, first class, postage prepaid, and addressed as follows. Listing the judge here constitutes a declaration that mailing to the judge will be completed no later than 24 hours after the document is filed.

Judge Scott C. Clarkson  
411 West Fourth Street  
Suite 5130 / Courtroom 5C  
Santa Ana, CA 92701-4593

☐ Service information continued on attached page

**3. SERVED BY PERSONAL DELIVERY, OVERNIGHT MAIL, FACSIMILE TRANSMISSION OR EMAIL**

Pursuant to F.R.Civ.P. 5 and/or controlling LBR, on (*date*) \_\_\_\_\_, I served the following persons and/or entities by personal delivery, overnight mail service, or (for those who consented in writing to such service method), by facsimile transmission and/or email as follows. Listing the judge here constitutes a declaration that personal delivery on, or overnight mail to, the judge will be completed no later than 24 hours after the document is filed (state method for each person or entity served):

☐ Service information continued on attached page

I declare under penalty of perjury under the laws of the United States that the foregoing is true and correct.

4/13/2023  
Date

Benjamin Heston  
Printed Name

/s/Benjamin Heston  
Signature